GENERAL SHOE *Corporation*

Annual Report

19 48

N.Y.C.
Corp. File

Bench knife of the early master shoemakers. . .
a symbol which General Shoe employees have
adopted as their own mark of excellence.

GENERAL SHOE CORPORATION

Annual Report • 1948

For this twenty-fourth annual report of our Company, we are glad to state that both our total volume of business and our net sales showed increases.

Total business for the fiscal year ended October 31, 1948, was $99,580,268. After deducting interbranch business, which consisted of our divisions buying from each other certain materials for use in their products, our net sales to customers totaled $78,682,563.

For comparison, the previous year's total volume was $97,248,511, and net sales to customers were $78,142,458.

Last year we produced 15,397,203 million pairs of men's, women's and children's shoes.

About Our Operations

Our Company is one of the four largest shoe manufacturers in the United States or in the world. Our operations include 18 shoe manufacturing plants in the United States, six additional plants making other products used in the manufacture of shoes, one leather handbag manufacturing plant, and two shoe manufacturing plants in foreign countries. General Shoe also operates 97 retail shoe stores in principal cities of the United States.

Our shoes and other products are distributed by more than 21,000 different retailers carrying one or more of our lines.

There are approximately 11,000 General Shoe employees.

Company earnings this year amounted, to $2,639,762, compared with $2,566,500 in the previous year. After providing for dividends on the preference and preferred stock, earnings per share of common stock amounted to $3.45 per share this year, compared with $3.34 per share in 1947. Regular dividends were paid on preference and preferred stock, and dividends of $2.50 per share were paid on the common stock. Dividends of $2.50 per share were paid the preceding year also. The balance of the earnings not paid out in dividends was reinvested in the business and applied to the development and improvement of our manufacturing facilities.

Company Financing

In addition to this money that was re-invested in the business, our Company also felt the need for providing additional working capital to take care of increasing accounts receivable, for inventories which are necessary under regular operating conditions as compared with conditions that we had in the war years, and to provide funds for expanding operations.

Accordingly, in January of this year we sold privately $7,500,000 of our notes, to be paid off in full at the end of fifteen years, and with partial payments beginning in 1950. This financing was done through arrangements with Smith, Barney & Company of New York.

No matter what method of valuing inventories is used, our Company feels that it is very important to have its operations in liquid condition so that we will be prepared for any developments throughout the operating year. You will notice by looking at our balance sheet that we had more than sufficient cash and government bonds at the end of the fiscal year to completely pay off our total current liabilities. Our current assets at the end of the year totaled $24,580,470, in comparison with current liabilities of $1,847,178, leaving a working capital of $22,733,292. The net worth of our company is $19,749,974, or $20.61 book value per share of common stock as of October 31, 1948.

Our inventories have been valued on a very conservative basis, at cost or market, whichever

is lower. In addition to this, however, it is always our practice at the end of each month to take a physical inventory of all our raw materials and finished shoes. These inventories are checked very carefully for slow-moving items. Any commitments which we may have made for raw materials are carefully reviewed from the standpoint of inventory on hand, and for unfilled orders that we have on hand from our customers. We feel that this system enables us to move very rapidly when conditions of the market change.

At all times we expect to keep our cash and other liquid assets such that no change in the market can affect our ability to meet current liabilities. It is our policy to price our inventory conservatively and to keep our exposure at a minimum. Reserves for raw materials frequently serve to confuse current operating figures, both in the year in which the reserve is set up, and also in the year when the reserves are placed into profit. From the standpoint of ability to meet our obligations due to fluctuations in inventory values, a raw material reserve has little value unless it is funded and not intermingled with the other corporation funds.

Shoe Prices

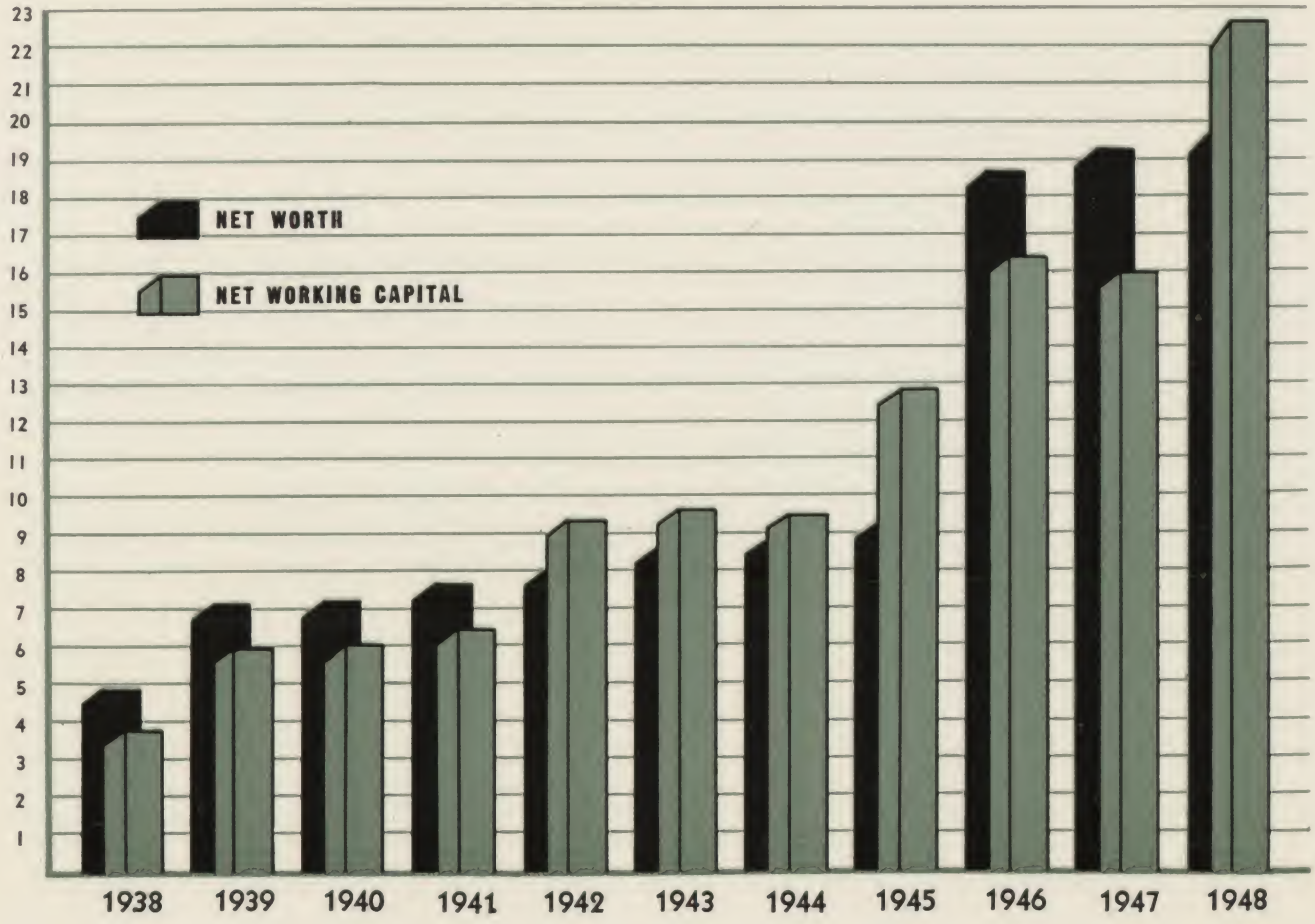
Shoe prices—with the entire industry as with our Company—are considerably higher than prewar. This increase has been due entirely to the increased cost of shoe materials, labor and all other costs of doing business.

The shoe industry is a very competitive one, with a total manufacturing capacity considerably in excess of the highest number of shoes ever consumed by the public in any one year. Such competition insures maximum value for the consumer who, we believe, is getting more for his money in shoes today than in nearly any other product.

The industry has shown itself to be very versatile in working with materials such as rubber, synthetics, plastics and fabrics when conditions seemed proper. Many of these materials are being

NET WORTH AND NET WORKING CAPITAL

(IN MILLIONS OF DOLLARS)



used to provide better wearing footwear at economical prices.

Our Company makes a variety of different-priced lines and keeps itself in position so that consumers can purchase from us the lower-priced shoes if they prefer. To a large degree the lower-priced shoes will wear almost as well, and will give excellent comfort, even though they may not equal the higher-priced lines in style features and appearance.

It is significant that the greater demand for our Company's shoes has been in the higher quality grades. We are constantly striving to provide customers with the merchandise they want, and our experience indicates that they want and have the money to buy a larger proportion of higher grade shoes than was the case pre-war. We will continue, however, to make available plenty of our lower-priced shoes to meet all such demands.

While our shoe prices are considerably higher than before the war, they are on a somewhat lower price basis than at this time a year ago. This, however, is not due to lower cost conditions, which except for hide prices are higher than last year, but to the trend toward lower-priced merchandise—a trend which had its influence even though the demand as a whole is still for better-grade shoes than were sold pre-war.

Hide Prices in Relation to Shoes

At this time a year ago hide prices were very high, and shoe manufacturers in general were not able to properly reflect these increased hide costs in the price of shoes. Consequently they were in a very difficult position.

Today, hide prices are more favorable, and on a basis that permits the proper pricing of shoes in relation to hide costs. Hide supplies during the year have not been as large as a year ago, although they have been adequate for the needs of the industry. The industry will produce a large quantity of shoes this year, but there has been an increasing use of rubber soles, which has reduced the amount of leather that has gone into the shoes.

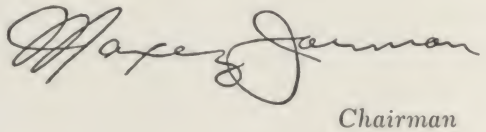
It is generally expected that there will be a reduction in the cost of living next year due to the lower cost of food. It is also expected that total personal income will average higher in 1949 than in 1948. With these two factors in mind, and with the new emphasis that is being placed on the lower priced lines, it is expected that there will be an increased volume of business in the year ahead.

Preparations for Year

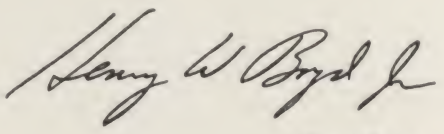
Our Company, therefore, has made arrangements and is setting up facilities for increased production in all types of men's, women's and children's shoes. We are also continuing to open additional retail stores. At Whitehall, Michigan, we are enlarging the capacity of our upper leather tannery. During the past year, arrangements were completed for contract tanning of sole leather for our own account, a plan which is proving very satisfactory.

An analysis of our retail customers indicates that they have been doing a very good business, and that they have rather low inventories. As an effective guide to this, we watch the percentage of our accounts receivable which are 30 days past due. In contrast with a year ago, when such accounts totaled about 2 per cent of all accounts receivable, this year they amounted to only 1 per cent. This shows a very healthy condition.

General Shoe Corporation continues to place strong emphasis on the proper selection and development of its own people, including our supervisory employees. Such selection and development, we believe, constitute a very major factor in continuing to build for us a strong, aggressive and young-minded Company.

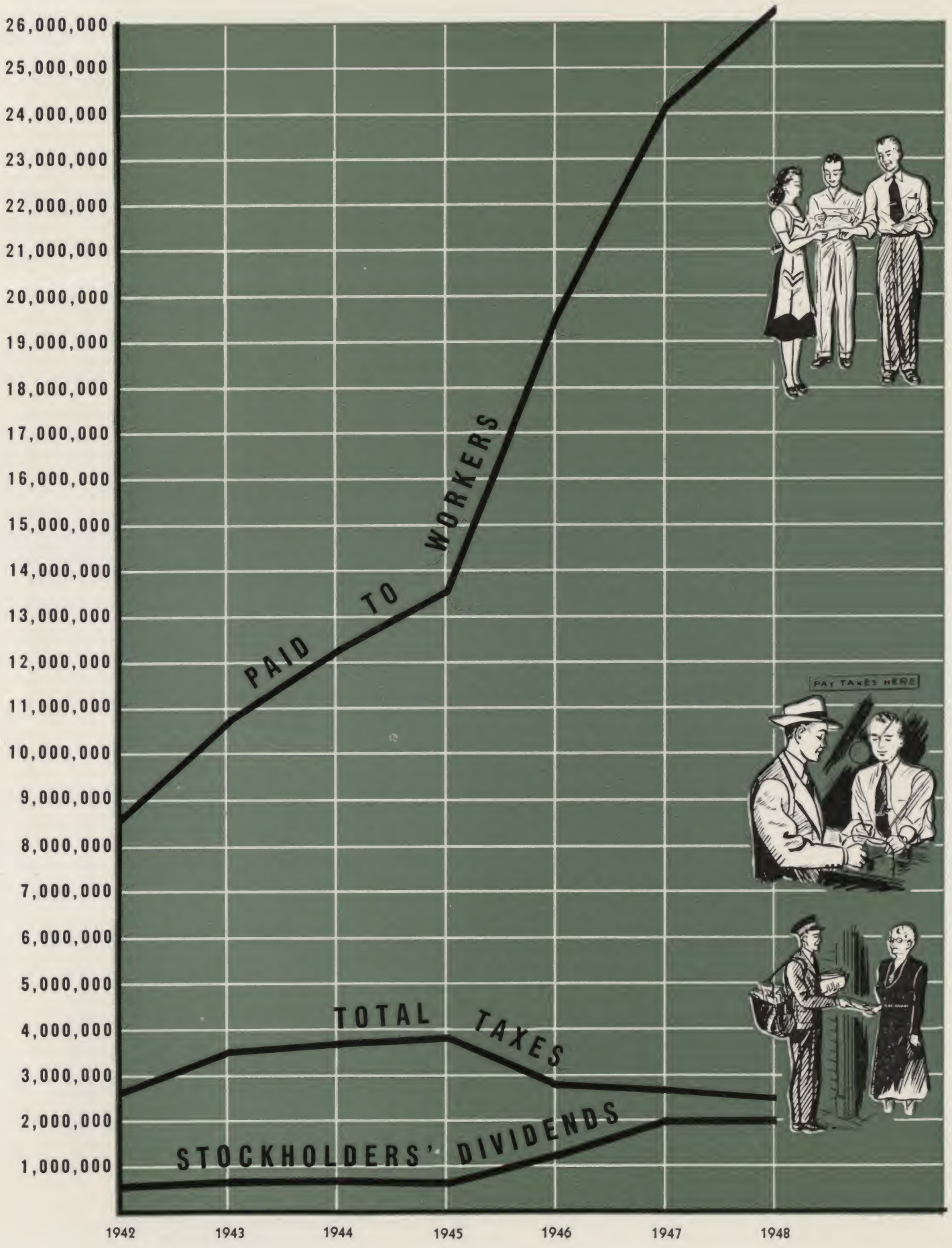


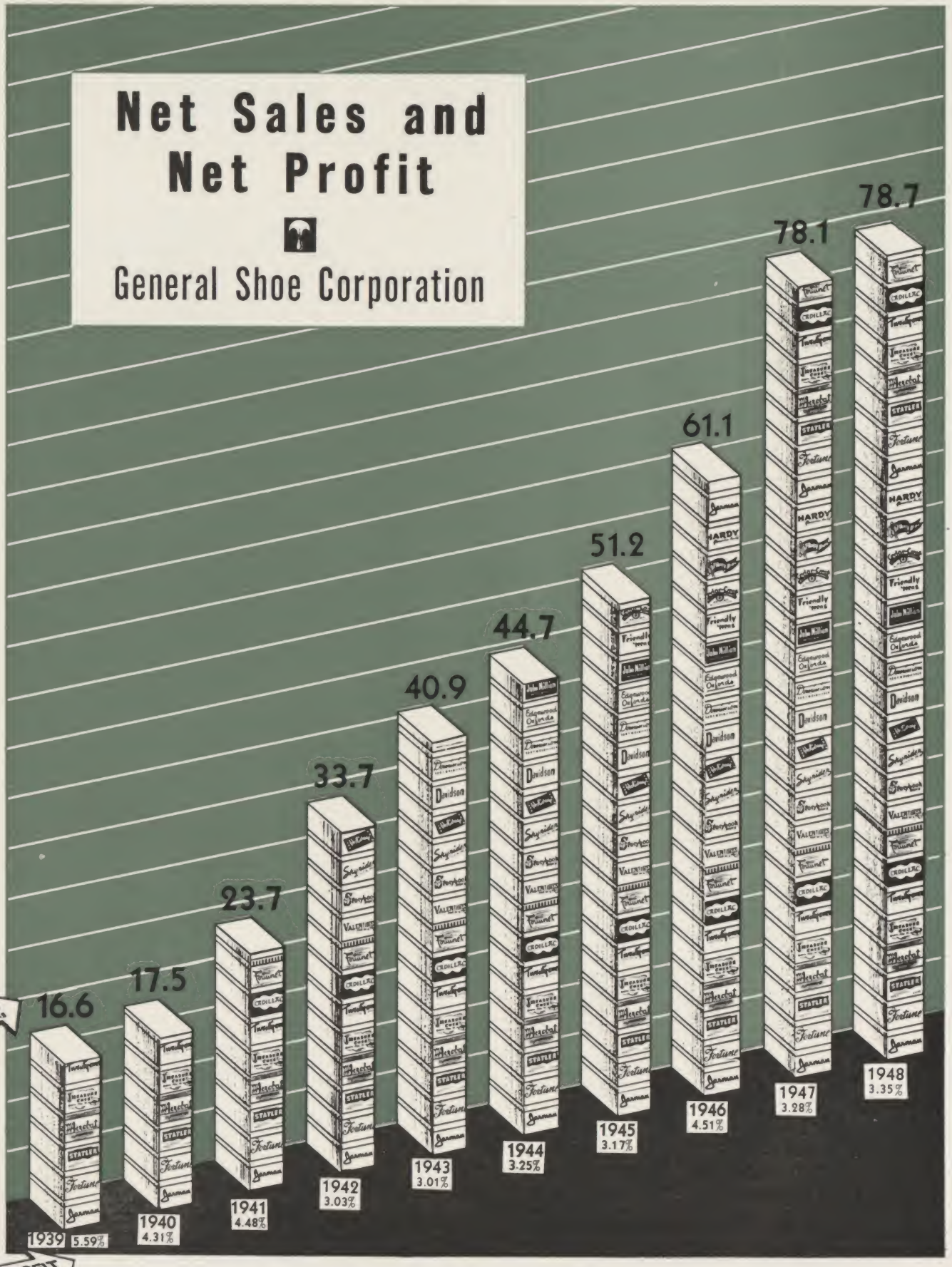
Chairman



President

Chairman Maxey Jarman, right, and President Henry W. Boyd, Jr., confer about shoes. The former has been with General Shoe since it was founded in 1924; the latter for 17 years.


26,000,000
25,000,000
24,000,000
23,000,000
22,000,000
21,000,000
20,000,000
19,000,000
18,000,000
17,000,000
16,000,000
15,000,000
14,000,000
13,000,000
12,000,000
11,000,000
10,000,000
9,000,000
8,000,000
7,000,000
6,000,000
5,000,000
4,000,000
3,000,000
2,000,000
1,000,000
PAID TO WORKERS
TOTAL TAXES
STOCKHOLDERS' DIVIDENDS
PAY TAXES HERE
1942
1943
1944
1945
1946
1947
1948


Net Sales and Net Profit
General Shoe Corporation
NET SALES IN MILLIONS OF DOLLARS
NET PROFIT
16.6
17.5
23.7
33.7
40.9
44.7
51.2
61.1
78.1
78.7
1939 5.59%
1940 4.31%
1941 4.48%
1942 3.03%
1943 3.01%
1944 3.25%
1945 3.17%
1946 4.51%
1947 3.28%
1948 3.35%

CONSOLIDATED BALANCE SHEET As of October 31, 1948 and 1947

ASSETS	October 31 1948	1947
Current Assets:		
Cash in banks and on hand	$ 4,202,407	2,183,510
Accounts receivable—trade, less provision for discount and losses on collection, $448,736 and $480,974, 1948 and 1947 respectively	5,165,817	5,605,703
Accounts receivable—miscellaneous	255,634	221,997
Advances on open contracts	344,545	134,554
Inventories:		
Finished products—at approximate cost	7,717,872	4,117,615
Work in process—at approximate cost	796,851	870,654
Raw materials and special merchandise—at lower of cost or market	6,097,344	5,012,371
	24,580,470	18,146,404
Investments in capital stocks of foreign subsidiaries and securities of other companies—at cost, less reserve $20,000—1948	285,081	222,444
Officers' and employees' stock purchase accounts	924,502	528,687
Land	68,462	66,050
Plant, equipment, and improvements to leased property—at cost	4,904,168	3,862,590
Less—depreciation and amortization to date	1,473,025	1,234,872
	3,431,143	2,627,718
Goodwill, patents, and trade marks	1	1
	$29,289,659	21,591,304

LIABILITIES		
Current Liabilities:		
Accounts payable—trade creditors	$ 569,247	620,395
Accounts payable—miscellaneous, including installment, $27,952, on funded indebtedness due March 1, 1949	77,454	80,424
Due to officers and employees	68,322	72,040
Amounts payable for taxes, etc. withheld from employees	24,263	74,694
Accrued payrolls, taxes and sundry expenses	905,335	863,803
Amount payable to retirement fund	104,000	—
Provision for taxes on income, less U. S. Treasury Notes held for payment of taxes $1,600,000 and $1,730,000—1948 and 1947 respectively	98,557	432,362
	1,847,178	2,143,718
3⅛% Funded Indebtedness—payable in installments from March 1, 1950 to March 1, 1963 (maximum annual installment $700,000)	7,472,048	—
Reserves for contingencies and self-insurance	220,459	221,932
Capital Stock and Surplus—restricted except as to $3,024,320—1948:		
Capital Stock:		
$3.50 cumulative preference stock without par value, at stated and liquidating value of $100 per share. Authorized 50,000 shares; outstanding 47,192 shares (less 630 shares in treasury) and 49,000 shares, 1948 and 1947 respectively, callable at $107 per share to June 15, 1949 with successive reductions to $104 after June 15, 1954	4,719,200	4,900,000
Preferred stock without par value, at stated and liquidating value of $5 per share. Authorized and outstanding 99,260 shares, callable at $7.50 per share; 40c per annum cumulative dividends payable on January 1 and July 1 (paid to July 2, 1948)	496,300	496,300
Common stock, par value $1 per share. Authorized 1,200,000 shares; outstanding (less 2,009 and 2,223 shares in treasury) 705,132 and 704,918 shares, 1948 and 1947 respectively	705,132	704,918
Surplus:		
Earned Surplus	7,456,469	6,786,907
Paid-in Surplus	6,372,873	6,337,529
Total Capital Stock and Surplus	19,749,974	19,225,654
	$29,289,659	21,591,304

AND LOSS • STATEMENT OF SURPLUS

SUBSIDIARIES CONSOLIDATED

STATEMENT OF CONSOLIDATED PROFIT AND LOSS

For the years Ended October 31, 1948 and 1947

	Year ended October 31	
	1948	1947
Sales, less returns and allowances	$78,682,563	78,142,458
Less-discount on sales	727,971	802,828
	77,954,592	77,339,630
Other income (net)	63,488	73,617
	78,018,080	77,413,247
Cost of sales	60,984,048	61,917,367
Selling, general and administrative expenses, and provision for bad debts	12,391,157	10,791,589
Contributions to employees' retirement fund	200,000	200,000
Interest ($157,552), discount, and expense on funded indebtedness	258,424	—
Provision for taxes on income	1,544,689	1,937,791
	75,378,318	74,846,747
NET PROFIT FOR YEAR	$ 2,639,762	2,566,500
Depreciation and amortization of plant, equipment, and improvements and lasts, dies, and patterns charged to operations	$ 1,146,767	883,900

STATEMENT OF CONSOLIDATED SURPLUS

Earned Surplus		
Amount at beginning of year	$ 6,786,907	6,173,819
Net profit for the year	2,639,762	2,566,500
	9,426,669	8,740,319
DEDUCT—DIVIDENDS DECLARED ON:		
$3.50 cumulative preference stock—Paid to October 31, 1948	167,885	171,501
Preferred stock—40c and 20c per share, 1948 and 1947 respectively. Paid to July 2, 1948	39,704	19,852
Common stock—$2.50 per share	1,762,611	1,762.059
	1,970,200	1,953,412
Amount at end of year	$ 7,456,469	6,786,907
Paid-in Surplus		
Amount at beginning of year	$ 6,337,529	6,318,327
EXCESS OF:		
Stated value over cost of $3.50 cumulative preference stock purchased	29,616	—
Issuing price over par value of common treasury stock issued	5,728	19,202
Amount at end of year	$ 6,372,873	6,337,529

ACCOUNTANTS' REPORT

To the Board of Directors,
General Shoe Corporation,
Nashville, Tennessee.

We have examined the consolidated balance sheet of General Shoe Corporation and its consolidated subsidiaries as of October 31, 1948 and the related statements of consolidated profit and loss and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously made an examination, similar in scope, for the fiscal year 1947.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated profit and loss and surplus present fairly the financial position of General Shoe Corporation and its consolidated subsidiaries at October 31, 1948, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

November 24, 1948.

Peat, Marwick, Mitchell & Co.

Ten Year Comparative Record

For the years ended October 31,

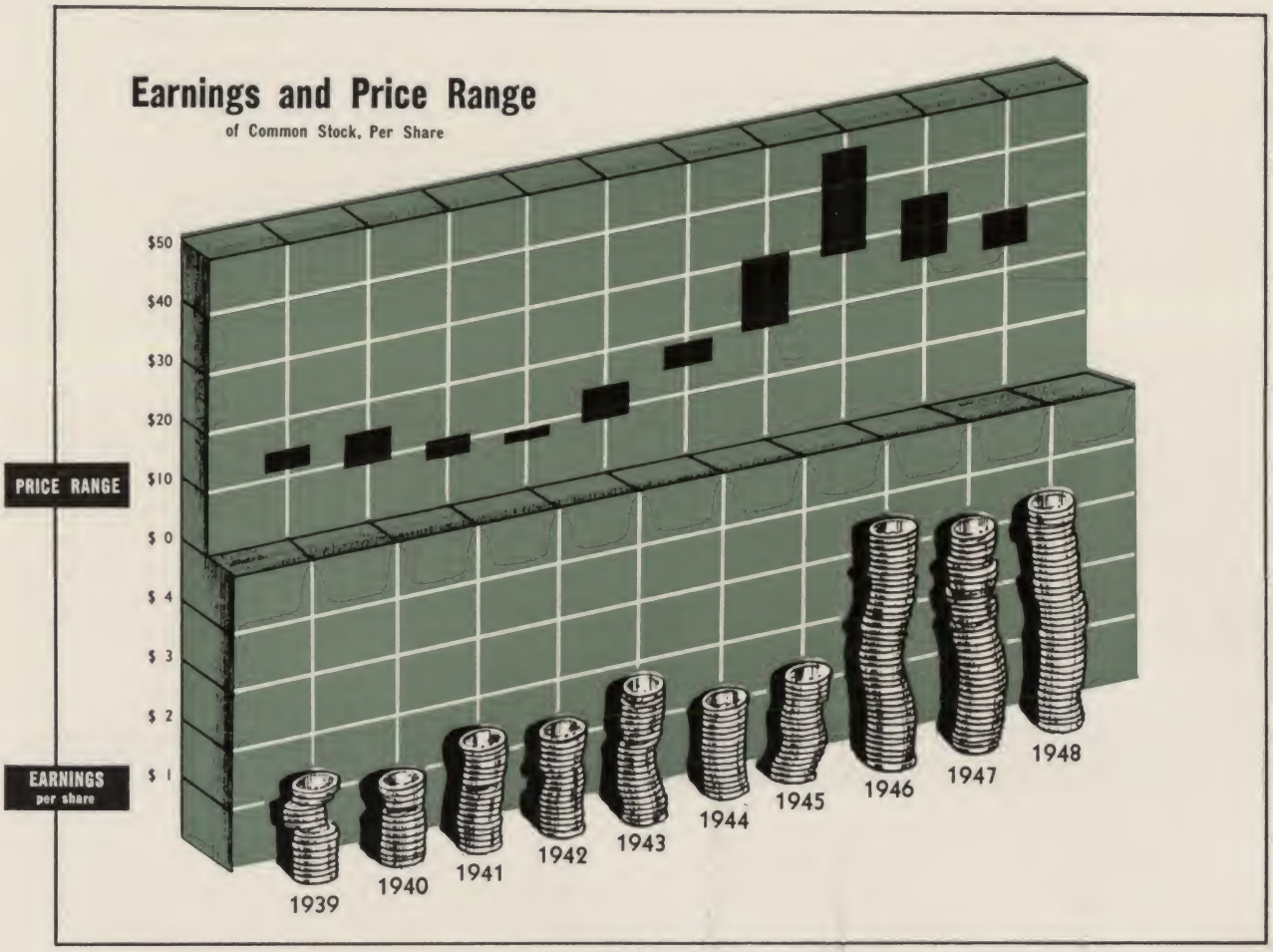
GENERAL

	1939	1940	1941
Total Volume of Business	$ 18,252,215	$ 20,063,446	$ 28,703,862
Net Sales Less Inter-Branch Business	$ 16,581,537	17,462,085	23,729,199
Earnings Before Income Taxes	$ 1,142,694	911,617	1,573,851
Income Taxes	$ 215,500	159,300	509,700
Net Earnings	$ 927,194	752,317	1,064,151
Earnings Per Share of Common Stock	$ 1.41	1.14	1.63
Dividends Per Share of Common Stock	$ 1.05	1.00	.90
Earnings Reinvested in Business Development	$ 266,137	84,338	460,271
Depreciation and Amortization	$ 217,986	267,263	326,508
Current Assets	$ 6,468,624	6,592,176	7,380,109
Current Liabilities	$ 510,000	450,691	880,885
Net Working Capital	$ 5,958,624	6,141,485	6,499,224
Net Worth	$ 7,154,253	7,243,137	7,693,942
Book Value Per Share of Common Stock	$ 10.60	10.75	11.49
Current Ratio	12.68 to 1	14.63 to 1	8.38 to 1
Per Cent of Earnings to Net Sales	5.59%	4.31%	4.48%

1939 to 1948, Inclusive

SHOE CORPORATION

1942	1943	1944	1945	1946	1947	1948
$ 39,949,226	$ 48,990,794	$ 53,474,786	$ 61,122,583	$ 75,367,861	$ 97,248,511	**$99,580,268**
33,738,750	40,886,382	44,716,808	51,177,678	61,133,798	78,142,458	**78,682,563**
3,171,773	4,165,836	4,010,061	4,284,949	4,962,495	4,504,291	**4,184,451**
2,148,400	2,936,700	3,002,650	3,174,200	2,207,123	1,937,791	**1,544,689**
1,023,373	1,229,136	1,007,411	1,110,749	2,755,372	2,566,500	**2,639,762**
1.57	1.90	1.54	1.71	3.76	3.34	**3.45**
1.00	1.00	1.00	1.00	1.60	2.50	**2.50**
356,615	562,040	340,316	443,654	1,560,922	593,235	**669,562**
561,695	308,735	348,333	401,921	547,675	883,900	**1,146,767**
10,281,900	10,654,807	10,570,155	14,363,699	17,723,628	18,146,404	**24,580,470**
876,851	973,238	1,073,386	1,485,880	1,309,947	2,143,718	**1,847,178**
9,405,049	9,681,569	9,496,769	12,877,819	16,413,681	16,002,686	**22,733,292**
8,054,660	8,618,858	8,939,322	9,382,976	18,692,768	19,225,654	**19,749,974**
12.05	12.95	13.46	14.16	18.74	19.62	**20.61**
11.73 to 1	10.95 to 1	9.85 to 1	9.67 to 1	13.53 to 1	8.46 to 1	**13.31 to 1**
3.03%	3.01%	2.25%	2.17%	4.51%	3.28%	**3.35 %**



TEN YEAR RECORD

of General Shoe Common Stock

	Earnings Per Share For Year	*Year's Dividend*	*Year's Price Range*	*Number Stockholders*
*1939	$1.41	$1.05	15½—12½	
1940	1.14	1.00	15⅜—10	2,738
1941	1.63	0.90	11½— 8⅛	2,768
1942	1.57	1.00	10 — 8¼	2,857
1943	1.90	1.00	15⅛— 9⅞	3,207
1944	1.54	1.00	19¾—14⅝	3,254
1945	1.71	1.00	31 —19	3,364
1946	3.76	1.60	47 —29	3,696
1947	3.34	2.50	36⅞—26	3,982
1948	3.45	2.50	31½—25	4,201

**Listed on New York Stock Exchange and St. Louis Stock Exchange July, 1939.*

SHOES . . . AND THE PEOPLE WHO MAKE THEM, BUY, SELL AND WEAR THEM . . .

JARMAN SHOES TELEVISED for the first time, in a program sponsored by one of our California dealers, featuring stars Harrise Brin and Keith Hetherington.

"AND A PAIR OF GENERAL SHOES to that gentleman with the biggest feet" —another dealer radio show.

SHOES of our eleven separate sales divisions are sold in 21,214 retail stores located throughout the country. Last year we added 3,874 new retail accounts carrying shoes of the following divisions:

Jarman Shoe Co.
Richland-Davidson Shoe Co.
Dominion Shoe Co.
KBS Shoe Co.
Cedar-Crest Shoe Co.
Edgewood Shoe Co.
Barrett Shoe Co.
Fortunet Shoe Co.
Bellwood Shoe Co.
Acrobat Shoe Co.
Storybook Shoe Co.

Each of these divisions has its separate sales force and sales manager, and each handles one or more distinct brands of shoes.

Our national advertising program is a vigorous one. You will find our full-page, full-color ads featuring Jarman men's shoes in Life, Esquire and the Saturday Evening Post. Colliers and Look magazines feature our Fortune shoes for men. Esquire and Pic are used for our Cadillac men's shoes, and Cedar-Crest work shoe ads appear in the Southern Agriculturist and in Farm and Ranch.

The nation's top fashion magazines, Vogue, Harper's and Mademoiselle, carry the advertising of our Fortunet, Valentine and Twenty-Ones—our women's shoes. Friendly 'Teen shoes for young ladies are featured in Seventeen.

In Vogue and in Parents magazine, Acrobat children's shoes are advertised. Storybook shoes for children use radio programs in selected key cities.

Thousands of dealers tie in with General Shoe's national program by running millions of lines of retail

SOUTHWEST SHOE FAIR, with one of our sales managers giving the low-down on style to a buyer and a retail store owner, who are ordering for spring.

EXCELLENCE FOR HIS EXCELLENCY, the Mayor of Charlotte, N. C., who helps christen a brand new store there featuring our shoes.

THE ENTIRE COUNTY turned out to see their sons and daughters making shoes in this Waynesboro, Tennessee, plant in which we held open house last summer. We stay close to the people of our plant communities.

A SUPERIOR CRAFTSMAN proudly receives his pin which certifies him as a top shoemaker. This club keeps everyone conscious of quality.

RESEARCH is demonstrated by this inventive General Shoe employee who converted an ordinary single needle stitching machine into a triple stitcher, and revolutionized this important process in shoemaking.

WHERE SUPERVISORS MEET. A different group of General Shoe supervisors eat lunch together every week, get better acquainted and exchange ideas on the operations and problems of their departments.

"PASS IT TO ME, PAPA," says this eager-beaver son of Vanderbilt University's 1948 football captain, John Clark. To help Captain Clark get his engineering degree, Mrs. Clark works for General Shoe.

shoe advertising—dealer participation which increases each year. Included are some of the nation's top "prestige" stores, from smart Fifth Avenue in New York, to Los Angeles, Miami and other smart style centers. Still other thousands make effective use of our nationally-known window display service.

Some of America's best-known chain stores and mail order houses are large purchasers of our shoes, most of which we make up to the customer's own specifications and which are retailed under the customer's own brand name.

In building our Spring lines, great care has been taken to fit our shoes into the most popular retail price brackets suitable for each line of shoes. Also, our shoes have been designed and priced with a view to finding the greatest demand within their respective price ranges.

In keeping with our belief that fashion is a determining influence in the customer's purchase of shoes, we have kept all our lines fully abreast of the current fashion trends. At the same time we have continued to offer more staple styles to the more conservative trade, thus enabling our dealers to serve all classes of the market. Our new Central Design Department is working closely with the Sales Division, and is enabling us in a constantly improved way to meet the all-important requirement of offering the right shoe at the right time.

Plants and Products

All of the products pictured on Page 15 are made in our plants located as follows:

MEN'S SHOES

Nashville, Tenn.
Gallatin, Tenn. (2)
Tullahoma, Tenn. (2)
Lewisburg, Tenn.
Pulaski, Tenn.
Huntsville, Ala.
Atlanta, Ga.
Waynesboro, Tenn.

JUVENILE SHOES

Hohenwald, Tenn.
Centerville, Tenn.

WOMEN'S SHOES

Lawrenceville, Ga.
Frankfort, Ky.
Cowan, Tenn.
McMinnville, Tenn.
Danville, Ky.
Carrollton, Ga.

LADIES' BAGS

Dominion Leathercrafters
Nashville, Tenn.

SUPERVISORY DEVELOPMENT of talented young men, studying under Company executives, is one of the objectives of our entire year.

MILLION SAFETY HOURS—that's what this picture signifies, and the shoe manufacturing plant that set such a record turns out to celebrate it. General Shoe plants rank high in the shoe and leather industry for safety.

These combined plants manufactured 15,397,203 pairs of shoes last year, nearly two-thirds of which were men's shoes. Approximately one-fifth of our production is for women's shoes, and the balance for juveniles.

You are invited to examine Page 15 and familiarize yourself with these shoes and the brand names by which they have become nationally known.

Mainly our men's shoes are in the middle and volume price brackets, and they include boys' and men's dress shoes, work shoes and work boots in numerous styles. When you visit our new women's sample display salon in our General Shoe Building, you will examine hundreds of high style and medium style dress shoes, casuals, sports and walking oxfords, all of which sell in a medium price range. (We cordially invite you, now.)

Our children's shoes retail in a complete price range, and are made in many types and styles.

In Nashville our Dominion Leathercrafters plant manufactures ladies' handbags, men's wallets and small leathergoods items.

A growing and interesting branch of our business here is General Products Company, whose 100 artists and craftsmen design and produce modern display cases and fixtures for our 97 company-operated retail stores throughout America. This branch has now grown so that over half of its display production is for concerns outside of General Shoe.

Our Supply Branch

General Shoe's company-wide plan of integration is well-demonstrated in its Supply Division, where sole cutting, tanning, chemical and box manufacturing play an important and profitable part in our operations.

Our upper leather tannery at Whitehall, Michigan, produces 600 hides per day. Southern Sole Company in Nashville produces most of the leather soles used in our shoes. Most of our shoe boxes come from Capitol Container Company, a General Shoe unit which

SERIOUS APPLICATION to problems of personal development is interestingly written on the face of every man in this group. This was an after-work-hours course on self-improvement in one's work.

SCHOOL TIME FOR THE SQUADRON. These are some of our Flying Squadron trainees, young men of promise who are receiving two years of intensive training in all phases of the shoe business.

AN AAU BASKETBALL CHAMPIONSHIP, won by our girls, is symbolized by this trophy which General Shoe's president, Henry W. Boyd, is presenting. Our employees are great sports competitors.

LOCATION BY STATES OF OUR 21,000 DEALERS

STATES	NUMBER DEALERS
Alabama	574
Arizona	73
Arkansas	517
California	897
Colorado	185
Connecticut	225
Delaware	27
Washington, D. C.	58
Florida	680
Georgia	970
Idaho	76
Illinois	1116
Indiana	744
Iowa	416
Kansas	437
Kentucky	656
Louisiana	496
Maine	60
Maryland	177
Massachusetts	290
Michigan	708
Minnesota	449
Mississippi	493
Missouri	558
Montana	83
Nebraska	226
Nevada	15
New Hampshire	50
New Jersey	368
New Mexico	122
New York	1003
North Carolina	873
North Dakota	74
Ohio	922
Oklahoma	614
Oregon	181
Pennsylvania	997
Rhode Island	49
South Carolina	591
South Dakota	60
Tennessee	824
Texas	1559
Utah	68
Vermont	23
Virginia	469
Washington	236
West Virginia	403
Wisconsin	457
Wyoming	65
Total Number Dealers in U.S.A.	21,214
Dealers in Foreign Countries	408

AN "OSCAR" FOR OUR REPORT

An independent board of judges for the fourth time in the past five years has declared General Shoe's Annual Report the best of the shoe and leather industry. Our 1947 Report was the latest to receive this honor, in a contest conducted by the Financial World.

doubled its box-making capacity last year by installing additional automatic equipment. General Wax Industries completes the units of this division, making waxes and chemicals for our plants and other shoe manufacturers.

Plants in Foreign Countries

This is our seventh year of shoe manufacturing in Mexico City where we make men's and women's shoes, and our third year in Lima, Peru, where one plant makes shoes for men, women and children, and where we also operate four modern retail stores.

World Trade

General Shoe Intercontinental carries the trademarks of our shoes to the West Indies, the Philippines, South Africa, Central America, Mexico, Canada, the U.S.A. territories and possessions, and to parts of Europe.

Our Export-Import Division also imports for resale leather goods, footwear and some other items. The increasing world-wide "dollar shortage," with its resultant restrictions, has greatly increased the difficulty of exporting our products to many foreign countries, but we get a sizable share ofthe export business now being done under these conditions.

Increase in Stockholders

Individual owners of our business increased during the fiscal year from 3,982 to 4,201. We continue to have a wide spread among the holdings of our common stock, with no person owning as much as 5 per cent of the amount outstanding. Actually half of all our shareholders own 100 shares or less. Hundreds of individuals own 25 shares or less.

Without exception, our own officers and directors own large numbers of shares in General Shoe.

On October 30 we distributed the 65th consecutive dividend on our common stock. A graphic ten-year record is shown on Page 10.

During the year we conducted a survey among our stockholders, and received nearly 1,000 personal communications from them, advising us about the preparation of our annual reports and giving us other helpful

SHOES of General Shoe

In 21,000 Retail Stores You'll Find These Nationally Worn Brands

observations about our company. We are especially grateful for relationships like these, and we sincerely invite both views and personal visits from all stockholders and others interested in our company.

Community Relations

General Shoe places a premium on good relations with its community neighbors. These relationships are exemplified by this part of a letter from President E. M. Thorogood of the Bank of Cowan, Tennessee:

"Dear Mr. Jarman: It would be difficult to tell you how much the General Shoe Corporation has meant to our people and our community. New homes have sprung up by the dozens, and new enterprises have flourished as a result of the employment furnished by your plant. Our bank is in the strongest and most profitable condition it has ever enjoyed. I am sure that it is a great source of satisfaction to you that your employees are such a splendid and loyal group, and I can assure you that they are also fine and constructive citizens of our town."

Development and Recognition Aims in Employee Relations

Every Tuesday morning in General Shoe Corporation, Chairman Maxey Jarman sits down with members of the Industrial Relations Department, Public Relations Department and the Personnel Department. Every session is devoted to matters concerning the "human element" side of our business.

Out of these staff clinics has evolved a program of

BANKING ON THE FUTURE. "General Shoe's children" add to bank accounts started for them at birth, by the Chairman of our Company.

employee, supervisory and public relationships which give General Shoe an important part of its character as a young-minded organization working together in a progressive and growing company.

We are intensifying our efforts to do a better job of developing individuals to assume more responsible positions; helping them achieve greater recognition for the work they already are doing, and developing lines of communication so that there will be a free flow of expression from every corner of the company—not just from the top-side downward, but equally free-flowing from employees upward to the top.

SHOES BY BOAT. These shoes were being loaded at Mobile, bound for Puerto Rico.

Building From the Ranks

This has been one of our finest years in these respects. Here are some of the developments:

1. We are progressing in our plans to build our supervisory-executive force from the ranks of employees. As one step toward this, we have a large group of hand-picked employees under observation by their three senior supervisors and the Personnel-Industrial Relations Departments. We are studying closely the abilities, character and development of each man, and will give him, at the moment he is ready for it, all the increased responsibility he can shoulder in this fast-developing company. Already 71 per cent of our promotions are from within the ranks.

FIFTY-FIFTY is the approximate percentage of our 11,000 employees as between men and women.

2. Each new supervisor now spends one week under the guidance of our Industrial Relations Department learning company policies, meeting company executives, getting a broad indoctrination in General Shoe to fit him for his new responsibilities.

3. For policy-making advice, our line of communication stays wide open right down to employees in the plants. There, Employee Advisory Committees meet once a month as a clearing house for their fellow-employees' thinking, and top management gets their recommendations in written form.

4. Every man and woman of General Shoe has open-door access to the Chairman, President and other top officers through a new question-and-answer letter called "What's Going On." Employees get their questions direct into the hands of these top management executives. Every question gets a direct answer. Some of our individual plants issue "news letters" to supplement this plan of keeping all employees informed.

5. Department managers in our plants now hold monthly meetings with line executives, to discuss human relations problems arising there.

JARMANS EVERYWHERE. Readers of this report are invited to visit our dealers' smart stores throughout America. This one is in Miami.

6. The year saw continued progress in the development of our Flying Squadron training program, of searching within our company and over a large part of the country for well-prepared and promising young men who are given two years of the most intensive General Shoe training as an approach to future executive responsibilities.

7. General Shoe supervisors have a weekly luncheon forum which attracts speakers on many subjects in the field of economics, sociology and government.

8. During the year 500 of our supervisors took advantage of a morale survey and gave us their frank reactions to more than 50 different questions about their jobs and their company. Their replies are the basis for an intensive company-wide study, in order to strengthen us at every point.

SHOES BY AIR. These Flagg Bros. shoes were being rushed to New York to take care of special holiday business.

Leader in Safety

General Shoe's intensive program of safety education in all its plants gives us a record which we feel is among the best in the industry. Among the numerous activities were company-sponsored safety rallies, focusing the attention of the entire community on accident-prevention methods.

"WHAT'S GOING ON"—Employees and Management tell each other just that through a regular news letter from the Chairman of General Shoe.

GENERAL SHOE *Retail Division*

Daily Newspaper advertisements such as these appear regularly in the 54 cities where our 97 Company-operated retail stores are located.

This very important division of our Company is set up under a separate corporation, known as General Retail Corporation. Its officers and directors are all executives from within our Company.

Ninety-seven of the country's smartest-looking and best-known retail shoe stores are operated by this division. They are Jarman, Flagg Bros., and Hardy stores for men, and Holiday stores for women.

Fifteen of these are modern Jarman stores selling this nationally-advertised shoe.

Forty-eight are Flagg Bros., stores featuring smartly styled, rugged shoes at medium prices.

Twenty-five are Hardy stores that sell styles at one low price.

Our nine women's stores, featuring fine shoes styled for the medium-priced field, are known under the name of Holiday.

Reference to the map tabulation on the opposite page shows that the greatest concentration of our retail stores is in the Eastern states, where we have 28 stores. Eight of these are in New York.

Thirty-one of our stores extend to the states just westward and southwest of this section. In Chicago's busy retail section are five of our stores. On the West Coast we have three.

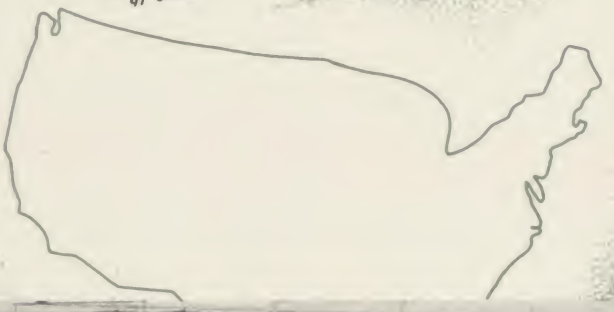
Thirty-five are in the Southern states of Georgia, Florida, Alabama, Kentucky, Tennessee, Arkansas, Louisiana, Texas and Oklahoma.

Our plans call for continued addition to this group of 97, the first of which was opened in 1930.

LOCATION OF COMPANY OPERATED RETAIL STORES

	Jarman	Flagg Bros.	Hardy	Holiday
ALABAMA (5)				
Birmingham	1	1	1	1
Mobile			1	
ARKANSAS (1)				
Little Rock			1	
CALIFORNIA (3)				
Long Beach	1			
Los Angeles	1	1		
CONNECTICUT (1)				
Hartford			1	
DIST. COLUMBIA (2)				
Washington			2	
FLORIDA (1)				
Jacksonville				1
GEORGIA (3)				
Atlanta			1	2
ILLINOIS (5)				
Chicago		3	2	
INDIANA (2)				
Evansville				1
Fort Wayne				1
KENTUCKY (4)				
Louisville			1	1
LOUISIANA (1)				
Shreveport				1
MARYLAND (1)				
Baltimore		1		
MASSACHUSETTS (2)				
Boston		2		2
MICHIGAN (3)				
Detroit			1	
MINNESOTA (2)				
Minneapolis			1	
St. Paul				1
MISSOURI (6)				
Kansas City			1	2
St. Louis		1		
NEW JERSEY (4)				
Jersey City			1	
Newark			1	
Paterson			1	
Trenton			1	
NEW YORK (11)				
Buffalo			1	8
New York City			1	
Rochester			1	
Syracuse			1	
OHIO (11)				
Akron	1	1	1	
Cincinnati		1		1
Cleveland		1		1
Columbus		1	1	
Dayton		1		
Toledo				1
OKLAHOMA (4)				
Oklahoma City	1	1	1	
Tulsa				1
PENNSYLVANIA (7)				
Harrisburg		1		
Philadelphia		2		
Pittsburgh		1		
Reading		1		
Upper Darby		1		
Wilkes Barre		1		
TENNESSEE (10)				
Chattanooga		1		1
Knoxville		1	1	
Memphis		1		1
Nashville		1		1
TEXAS (6)				
Dallas		1	1	3
Houston		1		1
WISCONSIN (2)				
Milwaukee		1	1	

97 STORES — 50 CITIES — 24 STATES



DIRECTORS

William M. Blackie	Candler W. Butler	W. Maxey Jarman	C. M. Swinney
Henry W. Boyd, Jr.	H. Nelson Carmichael	J. Harlan Lawson	Houghton D. Vaughn
J. R. Braden	Noble C. Caudill	George W. Noland	William H. Wemyss
Earle T. Bumpous	Charles W. Cook	James P. Saunders	Matt S. Wigginton
			Otis C. Williams

OFFICERS

W. Maxey Jarman	*Chairman*
Henry W. Boyd, Jr.	*President*
William H. Wemyss	*Executive Vice-President*
J. Harlan Lawson	*General Manager*
William M. Blackie	*Vice-President*
Earle T. Bumpous	*Vice-President*
James P. Saunders	*Vice-President and Secretary*
Noble C. Caudill	*Vice-President and Treasurer*
George W. Noland	*Vice-President*
Matt S. Wigginton	*Vice-President*
Otis C. Williams	*Controller*
Charles W. Cook	*Assistant Vice-President*
Houghton D. Vaughn	*Assistant Vice-President*
Anderson Spickard	*Assistant Vice-President*
H. Nelson Carmichael	*Assistant Vice-President*
Charles R. Murphy	*Assistant Vice-President*
C. W. Butler, Jr.	*Assistant Vice-President*
DeVaughn Woods	*Assistant Controller*
James W. Byron	*Assistant Treasurer*
Carl Stephens	*Assistant Secretary*

Transfer Agents: **Guaranty Trust Company of New York, N. Y., and American National Bank, Nashville, Tenn.**
Registrars: **Chemical Bank and Trust Company, New York, N. Y., and the Nashville Trust Company, Nashville, Tenn.**

Annual Meeting of Stockholders: March 7, 1949

GENERAL SHOE
CORPORATION